

# WELLAND INTERNAL AUDIT CONSORTIUM RUTLAND COUNTY COUNCIL



## ANNUAL REPORT OF INTERNAL AUDIT FOR 2010/11

### 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations require that the head of the Council's internal audit function produce an annual report to the Council's Audit Committee. The report must include an explicit internal audit opinion on the Council's systems of control and risk management and its governance arrangements. In developing the internal audit opinion, the head of internal audit must cite the relevant evidence used for opinion purposes. There is also a requirement to report an annual review of the effectiveness of the internal audit function to provide Members with a basis for determining the extent to which reliance can be placed on the internal audit opinion. At a minimum there is an expectation that an effective internal audit function will operate in compliance with the CIPFA Code of Practice for Internal Audit.

### 2. INTERNAL AUDIT OPINION

- 2.1 I have formed the opinion that the Council's overall internal control arrangements provide a **Sound Level of Assurance**. This represents the second highest of the five levels assurance available and indicates a satisfactory management of risk. While some elements of the control framework require attention, audit recommendations have been made to address those issues and responsible managers have agreed timetables for their implementation.

### 3. EVIDENCE SUPPORTING THE AUDIT OPINION

- 3.1 The Audit Opinion is based upon the assurance ratings arising from audits undertaken and on progress in implementing recommendations arising from those audits. Table One is a list of the assurance ratings for each of the audits undertaken. The table demonstrates that all audits carry a "Good" or "Sound" assurance rating.

<b>Table One</b>	
<b>Summary of Assurance Ratings following Planned Audits</b>	
<b>Audit</b>	<b>Assurance Level</b>
<b>FUNDAMENTAL FINANCIAL SYSTEMS</b>	
Benefits	Sound
Budgeting & Budgetary Control	Sound
Cash & Banking	Good
Creditors	Sound
Debtors	Sound
Fixed Assets	Sound
Local Taxes	Sound
Main Accounting System	Good
Payroll	Sound
Treasury Management	Good
<b>CORPORATE ICT</b>	
Internet Security	Sound
<b>GOVERNANCE &amp; PERFORMANCE</b>	
Appraisal & Development	Sound
Corporate Health & Safety	Sound
External Communications	Good
Internal Communications	Good
<b>CUSTOMER FACING SERVICES</b>	
Direct Payments	N/A (undertaken as a consultancy exercise)
Social Housing	Sound
Support & Oversight of Schools (Contact Point)	Good

- 3.2 The audit of Corporate ICT was the last piece of work delivered by the external contractor NTA Monitor Ltd. It addresses the Council's progress in meeting the Government's GovConnect Standards. Additional assurance about corporate IT Controls was obtained by testing carried out by the Consortium's own auditors in respect of arrangements for data security; back-up of data; and access controls in respect of the Council's financial systems. These arrangements were found to be satisfactory – findings reflected in the assurance ratings for the individual financial systems.

#### 4 SUMMARY OF PERFORMANCE

- 4.1 Table 2 below provides an overview of the Consortium's performance for the year using selected Key Lines of Enquiry (KLOE). These KLOEs are used at all of the Welland sites because it is considered that they provide Members with a basis for effective scrutiny of Internal Audit and the opportunity (if requested) for benchmarking of delivery standards across the Consortium.

Table 2		
Key Lines of Enquiry 2010/11		
Key Line of Enquiry		Available Evidence
<b>Performance of the Consortium</b>		
=	Was Audit Plan delivered in full?	The Audit Plan originally approved by Committee was revised to take account of the impact of the restructuring of the Council.
✓	Are audits being delivered on time and to budget?	For assignments with agreed budgets, 70% were delivered within those budgets.
✓	Is staff productivity satisfactory? Time spent on productive work as a % of time available.	The Consortium achieved 85% productivity in 2010/11 against a target of 87%. While individual auditors achieved productivity levels in excess of 90%, time spent on audit management was higher than anticipated because of the requirements of the Star Chamber exercise and subsequent restructuring.
✓	Is the quality of work of a sufficiently high standard?	The Consortium's arrangements were subject to external review by the Audit Commission in February 2010 as part of their due diligence work relating to the change of internal auditors at Corby BC. The review confirmed that the Consortium's arrangements are compliant with CIPFA Standards. The Welland Board has consistently reported that the quality of the internal audit service provided by the Consortium is significantly better than the service received before September 2006 by in-house provision.
✓	Is the Consortium satisfying clients' needs & expectations?	The Consortium uses Customer Satisfaction Questionnaires where a score of 4 equates to "very good" and 3 to "good". In 2010/11 the average score for post-audit CSQs was 3.85 the average for Annual CSQs was 3.3.
<b>The Control Environment</b>		
✓	Do the completed audits provide assurance that the Council has made appropriate and effective arrangements to manage its key risks?	The average assurance rating for 2010/11 audits was <b>Sound</b> and no area of material weakness was identified.

## APPENDIX A

<b>Implementing Recommendations</b>		
✓	<p>Are effective arrangements in place to ensure that managers respond to the agreed audit recommendations for which they are responsible in a timely manner?</p>	<p>Responsible managers agree the action prescribed in each recommendation before a final audit report is issued: agreement extends to a target date for implementing each recommendation. The Internal Audit Database (Galileo) is used to track and follow up recommendations and the Chief Executive now receives regular reports on progress which are discussed with Strategic Management Team.</p> <p>At the date of reporting, 38 recommendations were outstanding and 25 of them were overdue.</p>